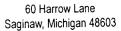
AUDITING PROCEDURES REPORT Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Go	overnment T		☐ Village	Other	Local Governi	ment Name	FIRE	DEPT	Co	BAY	
Audit Da	te - 31-0	94	Opinior	Date 7-30-		Date Accountant	Report Su		· · · · · · · · · · · · · · · · · · ·		
prepare Reporting Departing We affing 1. We	We have audited the financial statements of this local unit of government and rendered an Armor on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Brand (2.58) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan Department of Treasury. We affirm that: 1. We have complied with the Bulletin for the Audits of Local Units of Government in Michigan Revised. 2. We are certified public accountants registered to practice in Michigan.										
We furth	her affirm	the fol	lowing. "Y	es" respon	ses have be	aice in Michiga	n.			uding the notes, or in	
				nmendation							
Tou mus	st check to			k for each it		ncies of the loc	eal unit a	re excluded	l from the	financial statements.	
yes	no	2. TI	nere are a	accumulate	ed deficits in		of this	unit's unre	eserved fu	und balances/retained	
yes	V no		nere are in 168, as am		f non-compli	ance with the	Uniform	Accounting	g and Bud	dgeting Act (P.A. 2 o	
ges	no	4. Th	ne local ur its require	nit has viola ements, or a	ated the con an order issu	ditions of eithe led under the E	r an ord Emergen	er issued u cy Municipa	inder the I	Municipal Finance Ac ct.	
ges	₽ no					ments which d , or P.A. 55 of				equirements. (P.A. 20 132]).	
yes	no	6. Th		it has beer	n delinquent	in distributing t	ax rever	ues that w	ere collect	ted for another taxing	
yes	yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).									han 100% funded and	
yes	no	8. Th	e local un 95 (MCL 1	it uses cred 29.241).	dit cards and	l has not adop	ted an a	pplicable po	olicy as re	equired by P.A. 266 of	
yes	no	9. Th	e local un	it has not a	dopted an in	vestment polic	y as req	uired by P./	4. 196 of ²	1997 (MCL 129.95).	
We hav	e enclos	ed th	e followii	ng:			1	Enclosed	To Be	e Not ded Required	
The lette	r of comm	nents a	nd recomi	mendations	s. <i>P6</i> -	- 12-		X			
Reports on individual federal financial assistance programs (program audits).						dits).			X		
Single Audit Reports (ASLGU).							:		X		
Certified Public Accountant (Firm Name) BERTHI AUME & COMPANY CPA 5											
Street Ad	Certified Public Accountant (Firm Name) BERTHI AUME & COMPANY CPA 5 Street Address 60 HARROW LANE City SAGINAN State 71/21948603										
· · · · · · · · · · · · · · · · · · ·	Street Address 60 HARROW LANE City SAGINAN State 71P48603 Accountant Signature Kennah a. Bentuaunu										

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INDEPENDENT AUDITORS' REPORT

To the Fire Board Pinconning/Fraser Fire Department Pinconning, Michigan

We have audited the accompanying general purpose financial statements of the Pinconning/Fraser Fire Department, as of, and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Fire Board. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Pinconning/Fraser Fire Department, as of March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Pinconning/Fraser Fire Department. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

July 30, 2004

Berthiaume of Co.

ALL FUND TYPES AND ACCOUNT GROUPS

BALANCE SHEET

March 31, 2004

		NMENTAL UND	ACCOUNT GROUPS					
	General			General Fixed Assets		General Long-Term Debt		Total morandum Only)
ASSETS: Cash	\$	528	\$	-	\$	-	\$	528
Fire trucks and other fire fighting equipment		-		879,678		-		879,678
Amount to be provided for long-term		-		_		36,700		36,700
debt Total assets	\$	528	\$	879,678	\$	36,700	\$	916,906
LIABILITIES AND FUND EQUITY: Liabilities:	\$	785	\$	-	\$	-	\$	785
Accounts payable Loan payable	Ψ	-		-		36,700		36,700
Total liabilities		785				36,700		37,485
Fund Equity: Investment in general fixed assets Fund balance		(257)		879,678 -		-		879,678 (257)
		(257)		879,678		-		879,421
Total fund equity Total liabilities and fund equity	\$	528	\$	879,678	\$	36,700	\$	916,906

ALL GOVERNMENTAL FUND TYPES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended March 31, 2004

	GOVERNMENTAL FUND
	General
REVENUES:	
Contributions from participating units:	\$ 25,100
Fire runs	77,451
Operations	2,100
Equipment purchases	999
Hovercraft operations	36,000
Truck purchase	97
Interest income	11
Other	141,758
Total revenues	141,750
EXPENDITURES:	102.269
Operations	103,268
Capital outlay – equipment	10,820
Debt Service:	33,607
Principal	2,393
Interest	
Total expenditures	150,088
Excess of revenues over (under) expenditures	(8,330)
	8,073
Fund balance, beginning of year	\$ (257)
Fund balance, end of year	

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

	Budget	Actual	Fa	ariance worable worable)
REVENUES: Contributions from participating units: Fire runs Operations Equipment purchases Hovercraft operations Truck purchase Interest income	\$ 27,500 77,451 2,100 999 36,000 100	\$ 25,100 77,451 2,100 999 36,000))) 7	(2,400) - - - - (3) 11
Other Total revenues	144,150	141,758	3	(2,392)
EXPENDITURES: Operations Capital outlay – equipment Debt Service: Principal	105,150 13,000 33,607 2,393	103,268 10,820 33,60 2,393	7	1,882 2,180
Interest Total expenditures	154,150	150,088		4,062
Excess of revenues over (under) expenditures	(10,000)		·	1,670
Fund balance, beginning of year Fund balance, end of year	\$,073 \$ (1,927)	8,072		1,670

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

DESCRIPTION OF THE ENTITY

The Pinconning/Fraser Fire Department operates under a joint service agreement created by the City of Pinconning, the Township of Fraser, and the Township of Pinconning. The agreement was created in 1993 to maintain and operate a joint fire department for the purpose of providing and furnishing fire protection within the geographical boundaries. The Fire Department is governed by an appointed Administrative Board with each unit of government appointing two members to the Board whose terms shall be six years.

REPORTING ENTITY

The Fire Department has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14, *The Financial Reporting Entity*, and has determined that no entities should be included in its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

BASIS OF PRESENTATION

The financial activities of the Fire Department are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Fire Department.

Account Groups

General Fixed Assets Account Group - This Account Group presents the fixed assets of the Fire Department utilized in its general operations. These asset purchases are recorded as expenditures in the General Fund at the time of purchase.

General Long-Term Debt Account Group - This Account Group presents the balance of general long-term debt, if any, of the Fire Department.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund is accounted for using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance is a measure of available spendable resources. A governmental fund is used to account for all of the Fire Department's general activities.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States. The governmental fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). The Fire Department considers revenues as available if they are collected within 60 days after year end. Expenditures are generally recognized when the related fund liability is incurred. Principal and interest on long-term debt, if any, is recognized when due.

ASSETS, LIABILITIES AND EQUITY

Cash and Equivalents

All highly liquid accounts and investments with original maturities of three months or less are considered cash equivalents. Investments, if any, are stated at fair value.

Accounts Receivable

The Fire Department considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Property and Equipment

Property and equipment acquisitions and dispositions are accounted for as expenditures or revenues in the General Fund. Property and equipment acquired by the Fire Department and used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

All property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

Long-Term Obligations

The Fire Department reports long-term debt, if any, of governmental funds at face value in the general long-term debt account group.

Fund Equity

The fund balance of the governmental funds represents the amount available for budgeting future operations.

Use of Estimates

The process of preparing general purpose financial statements in conformity with accounting principles generally accepted in the United States, requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Memorandum Only - Total Column

The total column on the combined general purpose financial statements is captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Future Changes in Accounting Standards

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This new reporting standard will impact the Fire Department's revenue and expenditures recognition; and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Fire Department is required to implement the new reporting model for the fiscal year ending March 31, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 2: CASH-CREDIT RISK

Cash deposits are carried at cost. Deposits of the Fire Department are at one bank and are fully insured by the Federal Depository Insurance Corporation. Act 217, PA 1982, authorizes the Fire Department to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States. Act 367, PA 1982, also authorizes the Fire Department to invest in the certain investment pools managed by qualified financial institutions.

At March 31, 2004, the carrying value of the Fire Department's deposits, consisting of an interest bearing checking account, was \$528 and the bank balance was \$10,271. The bank deposits are categorized as credit risk #1. All deposits are in accordance with statutory authority.

NOTE 3: FUNDING

The Fire Department is financed each year by each governmental unit paying for the cost of fighting fires within each party's territorial limits. This funding represents approximately 99% of the total revenues received during the year ended March 31, 2004. Consequently, the Department's ability to provide services is dependent upon the continued support of these three units of government.

NOTE 4: CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

Equipment in station Equipment on trucks Fire trucks and other fire fighting
equipment

_	Balance April 1, 2003	Ac	Additions Deletic			Balance March 31, 15 2004			
\$	104,562 63,562	\$	-	\$	<u>.</u>	\$	104,562 63,562		
	700,734		10,820		-		711,554		
\$	868,858	\$	10,820	\$	•	\$	879,678		

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 5: RISK MANAGEMENT

The Fire Department is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Fire Department carries commercial insurance for liability and property loss.

The Fire Department manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The Fire Department pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 6: LONG-TERM DEBT

GENERAL LONG-TERM DEBT

General long-term debt consists of the following:

General rong cosses	_	Balance April 1, 2003 Additions Deductions				Ma	alance arch 31, 2004	
Loan Payable: Fire truck loan. The loan is payable in 59 monthly installments of \$2,717, on the 27th day of the month at an interest rate of 5.4%	\$	65,266	\$	_	\$	28,566	\$	36,700
Total long-term debt	\$	65,266	\$	-	\$	28,566	\$	36,700
Total long-term deet								

The Pinconning/Fraser Fire Department pays the loan payable under a joint agreement created by the City of Pinconning, the Township of Fraser, and the Township of Pinconning. Each entity will contribute \$12,000 per year for approximately six years. Each entity has pledged its full faith and credit as collateral for the General Long-Term Debt.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

The annual requirements to pay all debt outstanding as of March 31, 2004, including interest payments of \$1,133 are as follows:

Fiscal Year Ended March 31,	Annual Requirement
2005	\$ 37,833

NOTE 7: EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provided that local units shall not incur expenditures in excess of the amount appropriated. The Department adopted budgets on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund. The approved budget of the Department was adopted to the object level. Budgeted amounts are as originally adopted or as amended by the Board.

During the year ended March 31, 2004, the Department did not incur expenditures in the fund which were in excess of the amounts appropriated.

NOTE 8: DEFICIT FUND BALANCE

The Department had a deficit fund balance of \$257 at March 31, 2004.

SCHEDULE OF OPERATING EXPENDITURES

Year Ended March 31, 2004

OPERATING EXPENDITURES:

OPERATING EXPENDITURES:		
Administrative salaries	\$	7,656
		26,926
Fire fighting fees FICA		2,131
FICA/Medicare		502
		3,461
Medical firefighters - W/C		999
Office supplies		1,351
Operating supplies		549
Miscellaneous		3,752
Tools/supplies		2,581
Radio equipment maintenance		720
Pump maintenance Extinguisher maintenance		76
Audit		880
		1,517
State reports		320
Membership dues		2,028
Telephone		1,201
Mileage		250
Training fees		181
Laundry service		2,822
Gas and oil		9,562
Insurance		8,404
Utilities		441
Water		247
Training/personnel		484
Equipment maintenance		16,746
Vehicle maintenance		6,057
Medical requirements		1,424
Fire education	\$	103,268
Total operating expenditures	Ψ	100,200



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MANAGEMENT LETTER

To the Fire Board Pinconning/Fraser Fire Department

We have completed our audit of the financial statements of Pinconning/Fraser Fire Department for the year ended March 31, 2004, and have issued our report thereon dated July 30, 2004. As part of our examination, we made a study and evaluation of the Department's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Fire Department's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Department's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Fire Department taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of the Fire Department management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our audit.

Berthiaume & Company

Certified Public Accountants

Berthiaume & Co.

July 30, 2004